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THE TARIFF AND THE PRICE OF AGRICULTURAL MACHINES

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The tariff restrictions of the United States play an important part in the marketing of our surplus products. We have not grasped the old axiom, "Do unto others as you would have others do unto you." We build a tariff wall and ask European countries to take their walls down. Manifestly there is little justice in our demands. We have demonstrated to the world that protection of home industry is a good thing. If good for us, why not good for them? As a consequence, we find many European markets closing against our manufactured products. Germany, which, up to the present time, has only imposed a nominal tariff, proposes to put into effect a tariff which will be practically prohibitive. The result is readily apparent—either the American manufacturers must stand the increased cost of marketing our products, or make the consumer pay for it. If the burden falls upon our manufacturers, they will be handicapped by the increased cost of marketing the goods—they must do business without any profit or at a loss. If the consumer stands the increased cost, we shall not be able to compete with the local manufacturers and foreign manufacturers who do not have a tariff wall raised against the admission of their products. This leaves us only this alternative—either quit the foreign field, or invest American capital in manufacturing plants on foreign soil.

The new tariff restrictions which Germany proposes to establish are but an indication of the general trend of foreign policy in this particular. Let us consider the effect of our present tariff system upon our export trade in agricultural implements. Under the present schedule the German tariff on binders is \$11.23, reapers \$5.12, mowers \$3.26, rakes \$3.76. When the new German tariffs go into effect, on July 1st, American goods will be handicapped to a still greater extent than at present. Germany will enforce against us the maximum rate of her tariff, due to our unwillingness to make any concessions from our present Dingley tariff. From that time

on, unless some modification of the rule can be secured before the date mentioned, the rate per 100 kilos (220.46 pounds) on agricultural implements, such as hand plows, cultivators, grubbers, potato planters, harrows, hand and horse rakes; weighing three kilograms (6.6 pounds) or over will be \$1.90; weighing less than 6.6 pounds \$2.86; the present tariff on these goods varies from seventy-one cents to two dollars and thirty-eight cents. On all heavy agricultural implements this new rate will be so high as to practically shut off all competition from the countries against which this duty is enforced.

The new tariff therefore represents an increase from 71 cents to \$1.90 per 100 kilos on the lighter machines and from \$2.38 to \$2.86 on the heavier grades. If such an increase does not destroy our German trade in agricultural implements, it will be sufficient at least to seriously cripple its development. To conserve this trade, now experiencing a marked increase, is to keep for American labor a market which will disappear in exact proportion as the sale of our goods abroad is interfered with. Our trade with Germany in agricultural implements is a growing one. In the eleven months ending November, 1906, we exported to that country \$1,816,885 worth of agricultural implements, as compared with \$1,262,377 worth for the corresponding period of 1905. A foreign market such as this, experiencing a marked growth, and with great possibilities of future development, is one that should not lightly be disregarded. The German market for agricultural implements is growing more rapidly at present than that in any other European country. It should not be allowed to languish because of any mistaken tariff policy, but we should be willing to meet our European neighbors half way instead of trying to reap all the advantages while undergoing none of the sacrifices—which is our policy under our present tariff. If by following our present policy we exclude ourselves from the German market, we must expect to see the German adverse tariff offered as an inducement for capital to invest in that country for the manufacture of goods of a character similar to those now produced by us. Thus both the capital and the market for labor which we might have retained in the United States will go abroad.

Canada imposes a 17½ per cent ad valorem duty on mowing machines, harvesters and reapers, and a 20 per cent duty on cultiva-

tors, plows, harrows, hay rakes, drills, weeders and windmills. This is prohibitive and has resulted in a wonderful growth of the Canadian implement industry. American capital and American brains have gone across the border, and, with Canadian labor, have established implement plants. But for the tariff this capital would have stayed at home.

The highest tariff which American agricultural implement manufacturers must meet is that of Austria-Hungary. The duty on a binder is \$25.09, on a corn binder \$24.91, shredder \$109.48, reaper \$14.34, mower \$10.81, rake \$5.24. It is almost needless to say that this duty makes the price of American agricultural machines so high that it is only a question of time when more favored manufacturers will drive American products out of the market.

Adopting a liberal policy in tariff arrangements with France also would have an important effect on our trade in agricultural implements with that country. France has both a minimum and maximum tariff schedule. The minimum schedule is in effect only with countries with which they have commercial treaties. The United States is the only great civilized nation which has no commercial treaty with France, and has thus not availed itself of the opportunity to secure for the benefit of its manufacturers the minimum tariff schedule. The fact that American manufacturers pay the maximum schedule on all importations into France has cost us millions of dollars annually which might have been saved had a commercial treaty provided for the minimum schedule.

France, in spite of her friendly feeling, has reached the conclusion that if we continue our present prohibitive tariffs and refuse to accept the offered treaty giving us the benefit of the minimum tariff, she cannot do otherwise than maintain a maximum tariff against American products. Consequently, American manufacturers pay \$20.27 duty on a binder, which is \$9.20 more than Swedish, British, German, Russian or other manufacturers that import under the minimum schedule have to pay. The duty on a reaper is \$12.16, on a rake \$5.79; on a mower the duty is \$9.26, which is \$3.85 more than manufacturers importing under the minimum schedule are obliged to pay.

During the eleven months ending November, 1906, we exported to France almost \$3,000,000 worth of agricultural implements. On all this the United States paid the maximum rate of fifteen francs

per 100 kilos, as compared with nine francs per 100 kilos paid by other countries. This means that the implements exported to France from the United States had to be sold at such a price that they would be as cheap as the goods offered by competitors, even after adding the freight charges for from three to four thousand miles and in addition a duty of \$1.20 on each weight of 200 pounds. This handicap, which the American manufacturer must accept or refuse to do business, places him at a great disadvantage.

These are only four of the countries reached by firms doing an export business, but they serve to illustrate the effect of our present tariff relations and to accentuate the necessity for a reciprocal tariff to offer adequate protection to the American trade already established with foreign countries, and to induce the further growth of the export business.

Our implement trade is growing even now, but it is growing only slowly, hampered as it is by adverse tariff legislation in the countries which should be our best customers. America's resources of coal and steel, combined with her mechanical ability and skilled labor, should enable her to compete on advantageous terms in the implement trade in every country of the world—and that they would; if the means for extending foreign trade by a conciliatory policy that lies ready to our hands were used.

The United States has at last gotten into the swing of world affairs in a political way, but it has not yet adopted a world-wide trade policy. Our present regulations of commerce were well enough in a world where rigid protective tariffs were the rule, but when other nations have adopted the policy of mutual concessions, it is foolish for us to think that they will grant us the same advantages gratuitously or that they will not retaliate against us if we continue to maintain our present uncompromising attitude.

The energies of all people are now being devoted to creating trade or material to be used in trade. The policies of almost all important governments are being shaped to develop trade at home and command the greatest possible share of it abroad. Armies and navies are created to secure trade indirectly, and trade has recently been one of the causes of the greatest military conflict the world has ever seen. The older countries have already arrived at a point where foreign trade is to them a national necessity if continued development is to take place. They are straining every nerve to

increase its amount. The United States is fast arriving at that condition, and a statesmanlike policy should dictate that we should look to the future and prepare to meet its problems. The development of foreign markets, disregarded or given but slight attention in the past, must be for us an increasingly important problem.

One of the influences of first importance in this new development is machinery; machinery to create economic goods in the first instance and machinery to market them once they are created. The world is in the midst of an era of extension of cultivation into regions formerly considered too cold, too dry, too damp or too hot. Even in the older countries hand cultivation is being replaced by machinery. Along with this exploitation the machinery of transportation must be developed, good roads, good railroads, harbor facilities and ships must be built. All this creates a demand for mechanical appliances greater than the world has ever known before. In supplying this demand the United States, from her natural advantages, should play the leading part.

Another reason why the extension of foreign markets should deserve our attention is the effect of such a development upon our national prosperity. One of the consequences of this new exploitation of the world's resources is the increased interdependence of nations. No nation can now get along so well with its own products alone as it could a decade ago. The parts of the world are much more closely bound together, and the solidarity of interests gradually developing demands that the old spirit of exclusiveness and isolation be cast aside and reasonable adjustments of interests be made.

This is the more important since we know from experience that when a country depends upon itself alone for its market and its source of supply that the periods of depression following periods of prosperity produce great national distress. At the present time the thought is gaining currency that we may run along prosperously for a while, but that sooner or later we shall again experience a period of "hard times." Possibly we may. It is often impossible to predict the turn social and economic forces may take. But in any case it seems evident that if we can free ourselves to some degree from the effects of purely local conditions the "hard times," when they come, will not be so severe. If we can, by developing a reliable and elastic foreign market, reasonably assure ourselves

that all our outlets for our products will not be going through periods of stringency at the same time, we shall thereby lessen the intensity of industrial depressions, even though we may not eliminate them entirely. This is another reason why we should turn our attention to the formulation of a comprehensive foreign trade policy which shall place us in agreement with the general practice of Europe.